



Office of Inspector General
U.S. Department of State
U.S. Information Agency, including
Broadcasting Board of Governors

MONTHLY REPORT OF ACTIVITIES

audits, inspections, testimony, and special activities

April-May 1999

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Congressional and Outreach Activities

On May 5, the Inspector General testified before the House Committee on the Judiciary, Immigration and Claims Subcommittee, on nonimmigrant visa fraud. The testimony defined the insurmountable problem both within the United States and overseas of visa applicants' attempts to falsify, alter or counterfeit U.S. visas and passports or to obtain genuine documents by fraudulent means. The Inspector General highlighted that immigrant and nonimmigrant visa processing has been listed as a material weakness in the Department's annual Federal Manager's Financial Integrity Act report since 1987. However, in recent years, significant progress has been made in enhancing visa and passport processing operations. The testimony described ongoing challenges that need to be addressed by the Department including staffing shortages, inexperienced staff, and insufficient training for consular line officers. The Inspector General also discussed deficiencies in the Department's management of its consular fraud program, identified in an ongoing audit, and investigative work as it pertains to passport and visa fraud cases.

The Council of the District of Columbia, Committee on Government Operations, invited the Inspector General to participate in an oversight hearing on May 19 to discuss the operations and activities of the Office of Inspector General (OIG). Other witnesses included the Inspector General for the Smithsonian Institution, the Deputy Inspector General for the Department of Health and Human Services, and a representative from the General Accounting Office. The Inspector General discussed performance measurement, national standards for Inspectors General, best practices in productivity and performance, hiring and personnel, and oversight that should exist with regard to the operations of the Office of Inspector General.

Reports Issued by the Office of Audits

Review of Tours of Duty (99-PP-013)

OIG reviewed the Department of State's (Department) tour of duty policy and practices, including tour curtailments/extensions. The Department's current policy of 2- and 3-year tours for virtually all of its overseas posts, reflects many factors balancing the needs of the Department with individual employee goals and needs. However, other U.S. Government departments and agencies that station Foreign Service officers overseas have posts with 4-year, in addition to 2- and 3-year, tours. Additionally, several studies conducted by the Department and other groups over the past decade recommended increasing the amounts of time employees spend in overseas assignments. OIG recommended that the Bureau of Personnel reexamine overseas tour lengths to increase the number of 3-year posts and establish 4-year posts.

A curtailment/extension occurs when an employee shortens/lengthens his or her tour of duty from an assigned bureau or post. The Foreign Affairs Manual states that employees can request a tour curtailment for any reason. There are two reasons why the Department should place renewed emphasis on limiting curtailments. First, they are costly. Second, many curtailments occur for reasons that appear to be avoidable and within the Department's control. Employees responding to the Cotton and Company worldwide questionnaire identified strained relationships with post supervisors or management, and unchallenging, unrewarding, or unsatisfying work among the reasons most commonly cited for curtailments. Department officials have different views about the magnitude of avoidable curtailments due in part to a lack of statistics on curtailment, including details on the reasons for curtailments. OIG recommended that the Bureau of Personnel revise the Foreign Affairs Manual to tighten the criteria for approval of curtailments. Additionally, OIG recommended that the Bureau of Personnel maintain data on the number of and reasons for curtailments/extensions to analyze trends and to identify and address causes for avoidable curtailments.

Foreign Service Retirement and Disability Fund Financial Statements for FY 1998 (99-PP-014)

OIG audited the Foreign Service Retirement and Disability Fund's (FSRDF) Financial Statements for FY 1998 in order to obtain reasonable assurance and express an opinion on whether the financial statements were free of material misstatement, to determine whether FSRDF has an internal control structure that provides reasonable assurance of achieving internal

control objectives, and to determine whether FSRDF complied with applicable laws and regulations. The FSRDF is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 1998, FSRDF reported assets of \$9.7 billion and an actuarial unfunded liability of \$238 million.

OIG has issued an unqualified opinion on the FSRDF financial statements for FY 1998. The audit did not identify any control weaknesses or instances of noncompliance with laws and regulations that were considered necessary for disclosure. Two instances of noncompliance that were cited in last year's audit, related to debt collection, had not been corrected but did not rise to the level of a material noncompliance in FY 1998.

Review of Indirect Cost Rates Proposed by the Institute of International Education (USIA-99-CG-015)

In response to a request from the United States Information Agency's (USIA) Office of Contracts, OIG reviewed the Institute of International Education's (IIE) proposed indirect cost pools and the associated indirect rates for FY 1999. IIE is a nonprofit corporation that develops, administers and provides technical assistance to international education and exchange programs. We analyzed the allowability and allocability of accounts comprising IIE's indirect proposals, including specific indirect costs such as facility and administrative expenses. Our review questioned \$1,046,699 of the costs proposed in the indirect cost rate calculations. The questioned costs resulted from IIE's proposed accounting treatment of transactions involving the sale of a building and subsequent rental of that same building. IIE's proposed accounting methodologies did not comply with Paragraph 46b of the Office of Management and Budget Circular A-122, Attachment B that limits allowable rental costs for buildings previously acquired with Federal funds. Therefore, we recommended lowering IIE's proposed New York Facilities Expense Rate from 20.92% to 13.17%. We also recommended lowering the proposed General and Administrative Expense Rate from 28.02% to 26.87%.

Review of Sale and Leaseback Arrangement Proposed by the Institute of International Education (USIA-99-CG-016)

In response to a request from the United States Information Agency's (USIA) Office of Contracts, OIG reviewed the Institute of International Education's (IIE) proposed sale, purchase and escrow agreement, proposed lease, and the proposed accounting treatment of such transactions. The purpose of our review was to determine if: (1) the transactions fell within the parameters of the revised Office of Management and Budget (OMB) Circular A-122, and (2) the rental costs are an allowable charge to Federal grants. We found that IIE's proposed handling of a building sale and immediate rental of that same building did not comply with the requirements

specified in OMB Circular A-122 for a sale and leaseback arrangement. The circular limits rental costs on sale and leaseback arrangement to the amount that would have been allowed had IIE continued to own the building. As a result, OIG projected a total of \$4.3 million in disallowed rental costs over the life of the lease.

Reports Issued by the Office of Security and Intelligence Oversight

During this reporting period, OIG security oversight inspections were completed at the following embassies: Beijing, China; Kuala Lumpur, Malaysia; and Brussels, Belgium.